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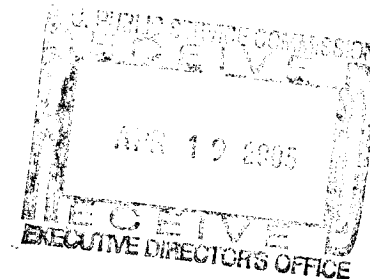
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April 18, 2005

## VIA ELECTRONIC AND FIRST CLASS MAIL SERVICE

The Honorable Charles L.A. Terreni  
Executive Director  
SC Public Service Commission  
P.O. Drawer 11649  
Columbia, SC 29211



RE: Application of MCG Capital Corporation, IDS Telecom Corp. and IDS Telecom, LLC for Authority to Complete an Assignment of Assets and to Grant Authority to IDS Telecom, Inc. to Provide Local Exchange Services, for Alternative Regulation First Granted in Docket No. 95-661-C and for Flexible Regulation First Granted in Docket No. 97-467-C  
**Docket No. 2005-26-C, Our File No. 990-10292**

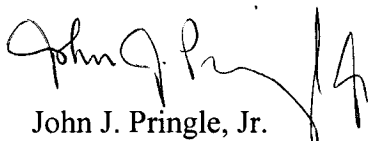
Dear Mr. Terreni:

✓ *cc* Enclosed is the original and twenty-five (25) copies of the **Testimony of Larry Seab** filed on behalf of MCG Capital Corporation, IDS Telecom Corp. and IDS Telecom, LLC in the above-referenced docket.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it in the enclosed envelope.

If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,



John J. Pringle, Jr.

JJP/cr

cc: Edward S. Quill, Jr., Esquire [via first-class mail service]  
Samuel Rubenstein, Esquire [via first-class mail service]  
Mr. Larry Seab [via first-class mail service]  
Office of Regulatory Staff [via electronic and first-class mail service]  
Margaret Fox, Esquire [via first-class mail service]

Enclosures

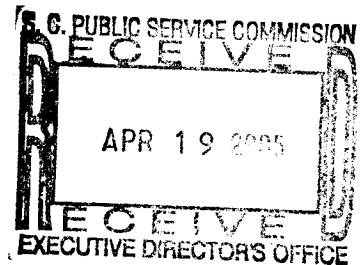
**BEFORE THE  
SOUTH CAROLINA PUBLIC SERVICE COMMISSION  
DOCKET NO. 2005-26-C**

**In re: Joint Application of**

**MCG CAPITAL CORPORATION  
IDS TELCOM CORP. AND IDS TELCOM, LLC**

for Authority to Complete an Assignment of Assets and to  
Grant Authority to **IDS TELECOM CORP.** to provide Local  
Exchange and Interexchange services, for Alternative  
Regulation First Granted in Docket No. 95-661-C and for  
Flexible Regulation First Granted in Docket No. 97-467-C

**TESTIMONY OF  
LARRY W. SEAB**



1    **Q.     Please state your name, title, and business address.**

2    A.     My name is Larry W. Seab. I am the Director – External Affairs of IDS Telcom Corp.  
3           (“New IDS”). My business address is 1375 South Semoran Blvd., Suite 1348, Building 5,  
4           Winter Park, FL 32792.

5    **Q.     Please describe your business experience.**

6    A.     I have over thirty years’ experience in the telecommunications industry. I have served as  
7           telephone company accountant, as a consultant testifying on rate matters for various  
8           incumbent carriers before many state commissions, as an executive in a rural telephone  
9           company, and as the founder and CEO of Now Communications, Inc. (“Old Now”).

10           In 1971, I founded Communication Consultants, Inc., in Monroe, Louisiana, and  
11           served as its President. Communications Consultants, Inc. provided rate analysis and  
12           telephone company accounting services for incumbent and rural local exchange companies.  
13           In 1982, I founded Long-Distance Savers, Inc., which began providing long distance  
14           telephone services on a resale basis in 1983. I served as its president until 1984.

*[Handwritten signature: H. Duke]*  
*[Handwritten signature: H. Duke]*

1 Subsequently, I established holding company operating procedures for the owner of seven  
2 independent telephone companies and served as president of those companies for two years.

3 In 1996, I joined several other telephone company executives to create Old Now, a  
4 switchless reseller providing local exchange service in over 30 states and the District of  
5 Columbia. Old Now operated primarily in the BellSouth Telecommunications, Inc.  
6 ("BellSouth") operating states, including Alabama, until the 2004 acquisition of Old Now's  
7 assets by Now Communications, Inc. d/b/a Cleartel Communications (f/k/a Now Acquisition  
8 Corp.) ("New Now"), another wholly-owned subsidiary of Cleartel Communications, Inc.  
9 By virtue of that acquisition, I joined Cleartel Communications.

10 My business experience covers a range of telecommunications activities and  
11 issues. I have experience in drafting and implementing operating procedures for the  
12 service and supply operations for a major telephone company. I have prepared and  
13 supervised the development of cost-of-service study procedures for the Arkansas Public  
14 Service Commission for telephone companies operating in the State of Arkansas. I have  
15 prepared financial data and testimony to support the development of rate bases, revenue  
16 requirements, and costs of capital before the regulatory authorities in the States of  
17 Alabama, Arkansas, Indiana, Louisiana, Michigan, Mississippi, Missouri, Oklahoma,  
18 Texas, West Virginia, and Wisconsin. I also have prepared annual cost studies and have  
19 negotiated revenue settlements with AT&T and the Bell Operating Companies for 34  
20 independent telephone companies in six states.

21 **Q. Have you read the instant Joint Application?**

22 **A.** Yes, I have.

1   **Q.     What is the purpose of your testimony?**

2   A.     The purpose of my testimony is to describe and support the Joint Application of MCG  
3           Capital Corporation (“Buyer”), New IDS, and IDS Telecom, LLC (“Old IDS”) (together,  
4           with Buyer and New IDS, “Applicants”) for Commission grant of approval or such  
5           authority as may be necessary or required for New IDS (directly), and its ultimate indirect  
6           owner Buyer (through its portfolio investment company, Cleartel Communications, Inc.) to  
7           acquire the assets of Old IDS identified in the Application, including Old IDS’s customer  
8           base, and all other assets associated with its telecommunications services operations  
9           (“Assets”).

10  **Q.     Please provide a brief summary of the transaction at hand.**

11  A.     Old IDS and New IDS have entered into an Asset Purchase Agreement whereby New IDS  
12           has agreed to purchase the Assets of Old IDS. As a result of the proposed transaction, Old  
13           IDS’s Assets, including all of Old IDS’s operations and customers, will be transferred and  
14           Old IDS’s South Carolina certifications will be assigned to New IDS, a newly created,  
15           wholly-owned subsidiary of Buyer’s portfolio investment company Cleartel  
16           Communications, Inc.. Following that transaction, Old IDS will cease to provide service in  
17           South Carolina and current South Carolina customers of Old IDS will be served by New  
18           IDS. Applicants therefore seek expedited approval, to the extent necessary, to allow  
19           Applicants to complete the proposed transactions as soon as possible.

20  **Q.     Please describe MCG Capital Corporation/IDS Telcom Corp. (“New IDS”).**

21  A.     MCG Capital Corporation (“Buyer”), the ultimate owner (through its portfolio investment  
22           company, Cleartel Communications, Inc.) of IDS Telcom Corp. (“New IDS”), is a  
23           corporation formed under the laws of the State of Delaware with principal offices located at

1 1100 Wilson Boulevard, Suite 3000, Arlington, Virginia 22209. MCG is a solutions-  
2 focused publicly held financial services company (traded on the NASDAQ under the  
3 MCGC symbol) that provides financing and advisory services to a variety of small- and  
4 medium-sized companies throughout the United States with a focus on growth oriented  
5 companies.

6 **Q. Please describe IDS Telecom, LLC (“Old IDS”).**

7 A. IDS Telcom, LLC (“Old IDS”) is a leading integrated communications provider that  
8 operates within the Southeastern U.S. providing competitive telecommunications service  
9 mainly to residential and small to medium-sized business customers. Old IDS offers a  
10 range of resold and facilities based telephone services, including voice and data private  
11 lines. Old IDS provides service over a state-of-the-art optical fiber network in Florida  
12 and via resold and unbundled network element arrangements with ILECs elsewhere.

13 In addition to its operations in South Carolina, Old IDS is currently authorized by  
14 virtue of certification or other authorization to provide service throughout the BellSouth  
15 territory except in Louisiana. Old IDS is also authorized by the Federal Communications  
16 Commission (“FCC”) to provide interstate and international services. In South Carolina,  
17 Old IDS is authorized to provide (1) competitive local exchange telecommunications  
18 services and (2) resold and facilities-based interexchange services pursuant to an Order  
19 issued in Docket No. 2000-414-C, on December 8, 2000.

20 **Q. Are MCG Capital Corporation or any of its subsidiaries authorized by this**  
21 **Commission to provide telecommunications services in the State of South Carolina?**

22 A. Yes. MCG Capital Corporation currently holds an indirect controlling interest in NOW  
23 Communications, Inc. d/b/a Cleartel Communications (“NOW”) which is currently

1 authorized to operate in South Carolina as a competitive local exchange carrier and a  
2 reseller and facilities-based interexchange carrier pursuant to an Order issued in Docket  
3 No. 2003-193-C, on October 2, 2003. In addition, MCG Capital Corporation holds an  
4 indirect controlling interest in Telecon Communications Corp., a company currently  
5 authorized to operate in South Carolina as a competitive local exchange carrier and a  
6 reseller and facilities-based interexchange carrier pursuant to an Order issued in Docket  
7 No. 2003-226-C, on November 20, 2003.

8 **Q. Please completely describe the Transaction.**

9 A. Applicants propose to complete a series of transactions ("Transactions") through which  
10 New IDS, a subsidiary of Buyer's portfolio investment company Cleartel Communications,  
11 Inc., will acquire all of the assets of Old IDS. New IDS is a recently created Delaware  
12 corporation with headquarters located at 2855 S. Congress Avenue, Delray Beach, Florida  
13 33445. New IDS and Old IDS have entered into an Asset Purchase Agreement  
14 ("Agreement") dated as of February 8, 2005. Pursuant to that Agreement, New IDS will  
15 acquire all of the operations, customers, and other Assets of Old IDS. As a result of the  
16 proposed Transactions, New IDS will replace Old IDS as the service provider operating in  
17 South Carolina.

18 In order to allow New IDS to continue to provide service following the proposed  
19 Transactions, Applicants respectfully request that the Commission allow Old IDS to  
20 transfer its existing South Carolina authorization to New IDS with the same conditions as  
21 previously granted to Old IDS. In the event that the Commission determines that the  
22 South Carolina authorization granted to Old IDS cannot be transferred to New IDS,  
23 Applicants respectfully request, in the alternative, that a second certification be granted to

1 New IDS and that Old IDS's certification be cancelled effective as of the close of the  
2 proposed transaction.

3 Although as a technical matter Old IDS customers will be transferred from Old IDS  
4 to New IDS in connection with the proposed Transactions, Applicants emphasize that the  
5 migration of the IDS customers from Old IDS to New IDS will be transparent to the  
6 customers. Affected Old IDS customers will be notified in writing of the transfer of their  
7 service to New IDS and of their rights under federal law pursuant to the applicable Federal  
8 Communications Commission rule. New IDS will acquire the "IDS" name and will  
9 continue to provide service under the "IDS" brand following the Transactions. Furthermore,  
10 New IDS will adopt all of the tariffs (or make such other filings as may be necessary in  
11 compliance with the laws of South Carolina) and will continue to provide service under the  
12 same rates, terms and conditions as were previously provided by Old IDS. As a result, the  
13 Transactions will be transparent to customers of Old IDS in terms of the services those  
14 customers receive.

15 **Q. Please describe the effect of the Transactions on the provision of intrastate services**  
16 **to Old IDS's South Carolina subscribers.**

17 A. The Transactions will not affect end-user services, and, except for a minor change in the  
18 name of the provider, will be transparent to customers in South Carolina. The  
19 Transactions will neither disrupt service nor cause inconvenience to Old IDS's customers  
20 because New IDS will continue to provide high-quality, affordable telecommunications  
21 services to these customers, under the same rates, terms and conditions as Old IDS, and  
22 will provide for the seamless transfer of such services.

1   **Q.     Please describe the financial, managerial and technical qualifications of New IDS.**

2   A.     New IDS is well qualified to provide service in South Carolina. In connection with the  
3           proposed Transactions, New IDS will acquire all of the assets of Old IDS and will therefore  
4           own all of the assets and facilities currently used to provide service to Old IDS's customers  
5           in South Carolina. New IDS's operations will be overseen by a well-qualified management  
6           team with substantial telecommunications experience and technical expertise. New IDS will  
7           draw upon the expertise of the management team of its direct parent company, Cleartel  
8           Communications, Inc., which likewise manages the operations of Cleartel's other wholly  
9           owned subsidiary operating in South Carolina, NOW. New IDS will continue to have  
10          access to the management team of Old IDS, which is highly experienced and has substantial  
11          technical and managerial expertise.

12                 New IDS will also have access to the highly qualified management team and  
13                 substantial financial resources of MCG. MCG has ample managerial, technical, and  
14                 financial qualifications to own and control New IDS and to oversee the operations currently  
15                 conducted by Old IDS. In South Carolina, MCG currently holds an indirect controlling  
16                 interest in NOW which is currently authorized to operate in South Carolina as a competitive  
17                 local exchange carrier and a reseller and facilities-based interexchange carrier. In addition,  
18                 MCG has previously held or currently holds interests in a number of telecommunications  
19                 companies, including Telecon Communications Corp. (Order issued in Docket No. 2003-  
20                 226-C, on November 20, 2003), BridgeCom International, Inc., TruCom Corporation,  
21                 Biznessonline.com, Inc., Metropolitan Telecommunications of South Carolina, Inc., and nii  
22                 communications, Inc. MCG's continuing involvement in overseeing the regulated



1 ownership of these companies has provided MCG's management team with extensive  
2 telecommunications management experience.

3 Moreover, MCG has access to extensive financial resources. As of year end  
4 2003, MCG had total assets of more than \$791 million, including financial investments of  
5 more than \$682 million, with total liabilities of approximately \$367 million. MCG has  
6 positive shareholder's equity of approximately \$464 million and had net income in 2003  
7 of \$41.9 million, including operating income of more than \$71.7 million.

8 **Q. Please describe the public interest benefits associated with the Transaction.**

9 **A.** The proposed Transactions described above will serve the public interest by ensuring that  
10 IDS customers enjoy continuity of high-quality telecommunications service. As  
11 demonstrated above, New IDS has the technical, managerial and financial resources  
12 required to ensure that New IDS can provide high-quality services in South Carolina.  
13 New IDS is well-qualified to replace Old IDS as the service provider in South Carolina.

14 The proposed Transaction will not cause customer confusion. Because there will be  
15 no change in the "IDS" brand name and the rates, terms and conditions of service will all  
16 continue without change, the proposed Transactions will be transparent to customers in  
17 South Carolina in terms of the services those customers receive. Indeed, New IDS proposes  
18 to adopt the same tariffs currently on file for Old IDS. In sum, the proposed Transactions  
19 will enhance the ability of Applicants to provide high-quality telecommunications  
20 services in South Carolina. This will invigorate competition and thereby benefit  
21 consumers of telecommunications services in South Carolina.

1 **Q. The Joint Application also includes a request for authority to provide**  
2 **telecommunications service. Please explain.**

3 A. New IDS does not currently hold authority to provide telecommunications services in  
4 South Carolina. In order to provide service to Old IDS's customers following the  
5 Transactions described above, New IDS needs such authority. In the event that Old  
6 IDS's Certificate cannot be conveyed to New IDS and to the extent such an application  
7 for authority is required, New IDS submitted information required to obtain a certificate  
8 of public convenience and necessity to provide facilities-based and resold local exchange,  
9 exchange access, and interexchange telecommunications services in the State of South  
10 Carolina.

11 **Q. Please describe the type of authority requested and the types of services New IDS**  
12 **intends to provide.**

13 A. New IDS seeks authority to provide facilities-based and resold local exchange and  
14 interexchange telecommunications services to subscribers to and from all points in the  
15 State of South Carolina. New IDS will provide all services currently offered by Old IDS  
16 and seeks authority that mirrors the authority currently held by Old IDS.

17 **Q. Has New IDS submitted proposed tariffs?**

18 A. No. New IDS intends to adopt the current effective tariffs of Old IDS upon certification  
19 and prior to the commencement of service in its own name.

20 **Q. How will New IDS market its services?**

21 A. New IDS will market its services by direct solicitation as Old IDS currently does. In  
22 addition, New IDS will use the same promotional materials in South Carolina that Old

1 IDS uses currently. New IDS will provide the Commission copies of such materials upon  
2 its request.

3 **Q. What is New IDS's toll-free customer service number?**

4 A. New IDS's toll-free customer service number is (888) 707-6500.

5 **Q. Does New IDS seek any waivers from Commission rules or requirements?**

6 A. Yes. New IDS requests a waiver of the requirement in Rule 103-610 that all records  
7 required under the rules be kept within the State. New IDS maintains its records at its  
8 principal offices in Florida.

9 New IDS requests that it be exempt from any record keeping rules or regulations  
10 that might require a carrier to maintain its financial records in conformance with the  
11 Uniform System of Accounts ("USOA"). The USOA was developed by the Federal  
12 Communications Commission as a means of regulating telecommunications companies  
13 subject to rate base regulation. As a competitive carrier, New IDS will not be subject to  
14 rate base regulation and therefore requests Commission approval to maintain its books in  
15 accordance with Generally Accepted Accounting Principals.

16 New IDS also requests waivers of any reporting requirements which, although  
17 applicable to incumbent local exchange carriers, are not applicable to competitive carriers  
18 such as New IDS because such requirements are not consistent with the demands of the  
19 competitive market and constitute an undue burden on a competitive carrier.

20 **Q. Does New IDS have any additional requests?**

21 A. Yes. New IDS requests flexible regulation for its telecommunications services as the  
22 Commission granted in Order No 98-165 in Docket No. 97-467-C.

1 New IDS also requests alternative or relaxed regulation in accordance with Sections 58-  
2 9-575 and 58-9-585 of the South Carolina Code in the same manner as granted by the  
3 Commission in Order Nos. 95-1734 and 96-55.

4 **Q. Will the grant of the requested authorization to provide telecommunications**  
5 **services serve the public interest?**

6 A. Yes, it will. As a necessary step to complete the Transactions, the grant of the requested  
7 authorization will serve the public interest for the reasons stated earlier with regard to the  
8 Transactions as a whole.

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.